



United States  
Department of  
Agriculture

Farmers  
Home  
Administration

Washington  
D.C.  
20250

FmHA AN No. 2693 (1924)

November 18, 1992

SUBJECT: Recordkeeping - An Essential Part of Supervised  
Credit

TO: State Directors, District Directors, and County  
Supervisors

ATTN: Farmer Programs Chiefs

PURPOSE/INTENDED OUTCOME:

The purpose of this AN is to clarify County Supervisor and borrower responsibilities in carrying out an effective supervised credit program. In addition, a training worksheet is provided which can be used to assist borrowers in reviewing their income and expenses in order to better manage their operation. The intended outcome is to improve the likelihood that borrowers will have a reasonable chance for success. The attached training worksheet can also be used to assist and educate borrowers to be responsible for keeping adequate records and providing financial information which will enhance borrower supervision and contribute to their success.

COMPARISON WITH PREVIOUS AN:

There is no previous AN on this subject.

IMPLEMENTATION RESPONSIBILITIES:

Regulations require a quarterly review of the records of borrowers' who must have annual analysis conducted to compare the income and expenses with the projections made in the Farm and Home Plan. The quarterly review can take place on the farm, at a scheduled office visit, or consist of a review of the financial status of a borrower from information mailed to the County Supervisor. Training and encouraging borrowers to prepare quarterly income and expenses figures for their own use in analyzing their business is an important part of supervised credit. Quarterly reviews are the minimum amount of review necessary to effectively manage a farming operation. We must, and Congress has directed us to, assist borrowers to become better Farm and Financial Managers.

EXPIRATION DATE:  
December 31, 1993

FILING INSTRUCTIONS:  
Preceding FmHA  
Instruction 1924-B



Farmers Home Administration is an Equal Opportunity Lender.  
Complaints of discrimination should be sent to:  
Secretary of Agriculture, Washington, D.C. 20250

This requires more frequent and effective communication and education so that borrowers fully understand their responsibilities as set forth in section 1924.59(e) of FmHA Instruction 1924-B.

Quarterly reviews may be phased in. From issuance of this AN through December 31, 1993, the following borrowers will receive quarterly reviews:

- (1) Borrowers receiving a loan(s) including subordinations (during the production/marketing cycle just being completed);
- (2) Borrowers who have received 1951-S servicing actions, except Net Recovery Buyout (NRB) and/or Homestead Protection; and
- (3) Borrowers who become financially distressed as defined in 1951.906 of Subpart S of FmHA Instruction 1951-S.

Further guidance will be given when quarterly reviews will commence for remaining borrowers as required in FmHA Instruction 1924-B.

Supervisors will provide guidance to borrowers in completing their records and assure they understand that loan funds can be used or releases made to acquire acceptable recordkeeping systems. Borrowers must also be made aware of recordkeeping services within the area, such as Farmer Management Service, State Extension Service, commercial record keeping or automated accounting services, etc., that provide records that are acceptable to FmHA. IF THE COUNTY SUPERVISOR OR BORROWER IS UTILIZING A SYSTEM THAT IS PROVIDING INCOME AND EXPENSE RECORDS THAT ACCOMPLISH THE PURPOSE OF THE AN, THE RUNNING RECORD WILL BE DOCUMENTED AS TO THE ACCEPTABILITY OF THE BORROWER'S RECORDS.

To ensure that productive field visits are conducted and that borrowers are keeping and maintaining adequate records as set forth in section 1924.58 (b) of FmHA Instruction 1924-B, borrowers should be encouraged to prepare their quarterly summaries for review by the County Supervisor. In those cases where field or office visits cannot be planned, borrowers may be requested to mail their completed summaries to the County Supervisor for review. The attachment to this AN can be used as a tool to train borrowers to summarize their records at least quarterly to assist them in the management of their operations. If properly used, the attachment can provide an excellent training tool for improving supervised credit. The attachment can be used to determine whether:

- (1) the loan is progressing as planned;
- (2) adequate funding is available for essential family living and operating expenses; and

(3) all sales are being reported and recorded on Form FmHA 1962-1 as set forth in section 1924.59(e) of FmHA Instruction 1924-B.

(4) additional loans or releases are needed.

It is suggested that County Supervisors train and encourage borrowers to maintain records or secure recordkeeping services when borrowers are unable to provide, as a minimum, the kind of information contained in the attached training tool. When field visits are scheduled, borrowers should be encouraged to have appropriate and complete records available prior to the visit to comply with section 1924.59(e)(5) of FmHA Instruction 1924-B. The County Supervisor or designee should review the records jointly with the borrower and discuss any financial problems that are identified. If the borrower has not properly summarized his/her financial and production records, further training should be provided. The attachment provides a quick method for the County Supervisor to reconcile borrower records as follows:

(A) Add principal borrowed (1), total income year-to-date (7), and actual cash carryover (18) this equals total disposable funds-to-date.

(B) Subtract from total disposable funds, the total actual operating and living expenses paid-to-date (4), capital purchases (19) and debts paid-to-date (21A). This figure should equal the present amount in the borrower's checking account and cash on hand.

(C) To determine how a borrower's expenses compare with the projected Farm and Home Plan, Tables F & G, of Form FmHA 431-2, subtract intermediate- and long-term interest from the total of Tables F & G and compare it to line (6) of the attachment.

(D) To determine the adequacy of loan funds, subtract - principal borrowed (year-to-date) (1) and total credit needed (Y) from the annual operating loan.

The file should contain a copy of the borrower records reviewed and the supervisor should appropriately document, in the running record, the meeting or visit with the borrower. These actions will be adequate documentation to support the requirement of a quarterly review as set forth in section 1924.59 of FmHA Instruction 1924-B.

Borrowers who are unable or unwilling to keep current accurate records should immediately be scheduled for a follow-up appointment and assisted with his/her record keeping. Supervisors may find group training very effective to enhance an adequate record keeping program. In those cases where

borrowers do not keep and make records available, the County Supervisor will document in the running record efforts made to assist the borrower in keeping and understanding their records. Credit should be denied as set forth in section 1924.58(b) when borrowers fail to maintain the required records.

When borrowers complete quarterly summaries of their operation, their records will be up-to-date and analysis can be completed as required by section 1924.60 of FmHA Instruction 1924-B. The annual analysis should be completed during the 90-day period preceding the beginning of the new production cycle or times when releases of normal income will be necessary. The 90-day period provides a window for County Supervisors to plan and manage their analysis workload. Timely analysis will ensure that borrowers have adequate financial resources to continue the operations and protect the Government interest. If borrowers have substantially completed their production cycle, and their production is known (this could include conservative estimated yields or livestock sales), County Supervisors should analyze borrowers' operations and develop new feasible proforma plans. Funding should be made available to eligible borrowers before the start of the new production cycle. If the plan is not feasible, income releases for essential expenses are required and must be made in order for the operation to continue until acceleration.

It is recognized that during the 90-day window, the year's farming business may not be complete, but, the analysis can be completed based on the 5-year history and conservative production and expense estimates and the new proforma plan developed. Timely analysis will permit decisions to be made relative to financing through loans or releases of income for the upcoming production cycle. This will allow the FmHA Loan Officer to avoid the workload of all analysis needing completion at the same time thereby providing credit in a more timely manner. Any adjustments to the plan based on actual yields, sales, or expenses can be made at loan closing or during the 1st quarterly review of the next production cycle.

FmHA's objective is to hold borrowers responsible for good records and instill in them that records are for his/her benefit and use, not merely an FmHA requirement. County Supervisors should become trainers and reviewers of the Farm and Home Plan and borrower records rather than preparers.

The bottom line is that we must make a conscious effort to provide more effective borrower supervision to increase the rate of borrower success and to reduce our losses.

This AN may not be revised and reissued by State Directors without prior approval by the Assistant Administrator, Farmer Programs, unless modification is necessary to comply with State law.

A handwritten signature in cursive script, appearing to read "La Verne Ausman", written in dark ink.

LA VERNE AUSMAN  
Administrator

Attachment

# RECORDS WORKSHEET

ATTACHMENT

BORROWER(S) NAME: \_\_\_\_\_

## CURRENT OPERATING LOAN

1. \$ \_\_\_\_\_ Principal Borrowed (Year to Date)
2. \$ \_\_\_\_\_ Principal Outstanding (This Date)

## 3. OPERATING AND FAMILY LIVING EXPENSES TO DATE AND PROJECTED:

Expense Category	Actual Expenses Pd-To-Date	Planned Expenses To-Yr-End	Planned Credit Needed To-Yr-End
A. Hired Labor			
B. Machinery Repair			
C. Farm Bldg. & Fence Repair			
D. Interest (Operating)			
E. Rent			
F. Feed			
G. Seed			
H. Fertilizer			
I. Pesticides & Spray Mat.			
J. Other Supplies			
K. Livestock Expenses			
L. Machinery Hire			
M. Fuel & Oil			
N. Personal Prop. Tax			
O. Real Estate Taxes			
P. Water Charges			
Q. Property Insurance			
R. Auto & Truck Expenses			
S. Utilities			
T. Family Living			
U. Other			
V. Other			
W. Other			
X. Other			
Y. TOTALS			

4. TOTAL ACTUAL OPERATING AND LIVING EXPENSES (Actual Line Y).....\$ \_\_\_\_\_
5. TOTAL ESTIMATED OPERATING AND LIVING EXPENSES (Planned Line Y)..\$ \_\_\_\_\_
6. PROJECTED OPERATING & LIVING EXPENSES FOR THE YEAR (Lines 4+5)..\$ \_\_\_\_\_

## INCOME RECEIVED YEAR TO DATE:

Crops	\$ _____
Livestock	\$ _____
Government Payments	\$ _____
Other Farm Income	\$ _____
Non-Farm Income	\$ _____

7. TOTAL INCOME YEAR TO DATE.....\$ \_\_\_\_\_
- ESTIMATED CROP INCOME TO YEAR END: (Your Share)

Crop	Actual Acres	Yield	Farm Use	To Sell	Unit Price	Income

8. TOTAL ESTIMATED CROP INCOME TO YEAR END.....\$ \_\_\_\_\_

[illegible]

- |     |  |    |
|-----|--|----|
| 9.  | TOTAL ESTIMATED LIVESTOCK INCOME TO YEAR END.....              | \$ |
| 10. | TOTAL ESTIMATED CONSERVATION PAYMENTS & OTHER FARM INCOME..... | \$ |
| 11. | TOTAL ESTIMATED NON-FARM INCOME TO YEAR-END.....               | \$ |
| 12. | TOTAL PROJECTED INCOME FOR YEAR (Line 7+8+9+10+11).....        | \$ |

PROJECTION SUMMARY:	
13. TOTAL INCOME FOR OPERATING YEAR (Line 12).....	\$
14. TOTAL OPERATING & LIVING EXPENSES FOR THE YEAR (Line 6).....	\$
15. NET CASH INCOME (Lines 13-14).....	\$
16. TOTAL OPERATING INTEREST (Line D) (Actual plus Planned).....	\$
17. TOTAL OPERATING LOAN (Lines 1+Y [Credit Needed Table]).....	\$
18. CASH CARRYOVER (Actual Line 11 of Table J of Current F&H Plan).....	\$
19. CAPITAL PURCHASES:	
20. TOTAL AVAILABLE TO PAY DEBTS (Lines 15+16+17+18-19).....	\$

- 10 Date \_\_\_\_\_

OPERATING CREDIT (Lines 16+17).....	\$	
FmHA.....	\$	
	\$	
	\$	
	\$	
S.S. & INCOME TAXES.....	\$	

22. MARGIN OR DEFICIT (Lines 20-21B).....\$

### GENERAL COMMENTS